

Farrell



THE ARMED FORCES



COMPTROLLER



WASHINGTON, D. C.
JUNE 1957

VOLUME II

NUMBER 2

**YOUR
NATIONAL PROFESSIONAL ASSOCIATION**



The American Society of Military Comptrollers

ASMC

is a continuation of the Society of Military Accountants and Statisticians founded in San Antonio, Texas on 12 May 1949. This was prior to the enactment by the Congress of Title IV of the National Security Act, which established a Comptroller in the Department of Defense and in each of the Military Departments.

The American Society of Military Comptrollers expands the base of the original Society, not only in membership eligibility, but also in scope of activities. ASMC now extends full membership to Civilian Personnel, as well as to Military Personnel; and encompasses the full range of professional interests normally found within the framework of Military Comptrollership. The Constitution recognizes the breadth of these interests, specifically mentioning—

Budgeting
Accounting
Finance
Reports and Statistics
Auditing
Organization
Management
Analysis
Application of Mathematics
in Comptroller Functions
Related Activities

ASMC is interested in all echelons and areas of Military Comptrollership. Small Local Chapters, as well as the Metropolitan Chapters, have been of great service to the Membership.

PURPOSE OF ASMC

The American Society of Military Comptrollers is designed to—

1. Provide an informal vehicle through which members who are engaged in Comptrollership in the Defense Department, the Army, Navy, Air Force, Marine Corps, and the Coast Guard may, through (a) combined action, (b) application of advanced knowledge and techniques, and (c) sound management, assist in maintaining and improving the high standards of the Profession of Military Comptrollership.

2. Foster a spirit of fellowship among its members.

3. Perpetuate friendships and traditions created through mutual service within the Armed Forces of the United States of America.

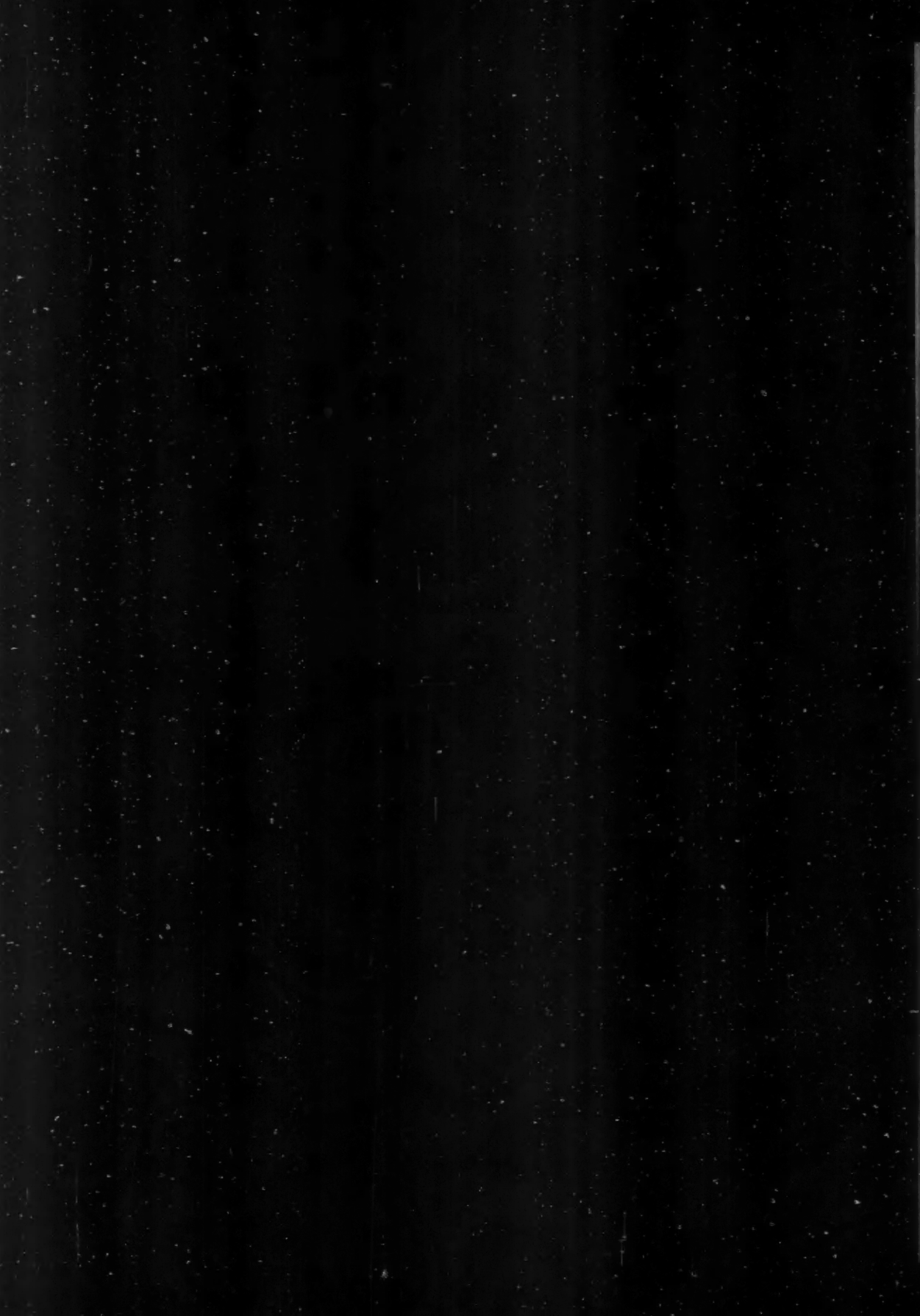
MEMBERSHIP

The American Society of Military Comptrollers has three classes of membership:

(1) Active Member, (2) Life Member, and (3) Honorary Member.

Active Membership is open to those who are (or have been) Commissioned Officers, Warrant Officers, or Civil Service Employees who are (or have been) required to exercise their abilities in the field of Comptrollership; have achieved a high standing and position of responsibility and respect in this field; are sponsored by two Active Members; and submit acceptable applications.

There are no initiation fees for membership in the Society. Dues for Active Members are five dollars for the first year, and three dollars for each year thereafter. Local Chapters may add a reasonable surcharge to cover their operating expenses.



FOREWORD

FORWARD should be the title because of two advancements made by the American Society of Military Comptrollers.

First is the creation of the office of Executive Director, and the election of Major Louis A. Oswald, USAF to that office.

Second, and as further evidence that we are increasing in stature as a professional organization, is a coming event — our FIRST NATIONAL CONVENTION to be held in Washington, D. C. on 21-22 November 1957. The Washington Chapter is handling the program and arrangements for the Convention. We are hopeful of and expect a large attendance of delegates and members.

With an Executive Director to guide the work of ASMC, and a Convention to serve as a symposium or clinic where ideas and projects are presented, and personal contacts made which are both so necessary particularly for professional people — be they doctors, lawyers, engineers and not the least — comptrollers, we are looking forward to the future.

Your continued interest and cooperation in ASMC, your professional papers and articles, are all forward steps into the bright tomorrow.

Edward W. Clepton

EDWARD W. CLEXTON
Vice Admiral, USN
National President

FOREWORD

"The Armed Forces Comptroller" is a forum for the presentation of the activities of Military Comptrollership. The views expressed by the authors of articles herein, therefore, do not necessarily represent the views of the Government Agency, the Armed Forces or the National Council of the American Society of Military Comptrollers.

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By

AMERICAN SOCIETY OF MILITARY COMPTROLLERS

1957

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*Executive Director
And
Editor*

Major Louis A. Oswald, USAF
Headquarters
Military Air Transport Service
c/o DCS/Comptroller
Washington 25, D. C.

FIRST NATIONAL CONVENTION

PROGRAMMED BY

WASHINGTON CHAPTER, ASMC

The Washington Chapter of your Society has gracefully accepted the task assigned by the National Council to handle the programs and arrangements in connection with —

THE FIRST NATIONAL CONVENTION

21 - 22 NOVEMBER 1957

The Committees for setting up the Convention have been appointed by the Chapter President, Mr. John H. Prince. For information regarding the Convention, please communicate (original and two copies) with:

Mr. John H. Prince
Washington Chapter President
American Society of Military Comptrollers
c/o Office of Comptroller
Headquarters, United States Coast Guard
Washington 25, D. C.

See you at YOUR FIRST NATIONAL CONVENTION!

THE ARMED FORCES COMPTROLLER

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NOTES ON BEING A COMPTROLLER

By

Col. Albert E. Dennis, USA Retired
Research Analyst, The George Washington
University

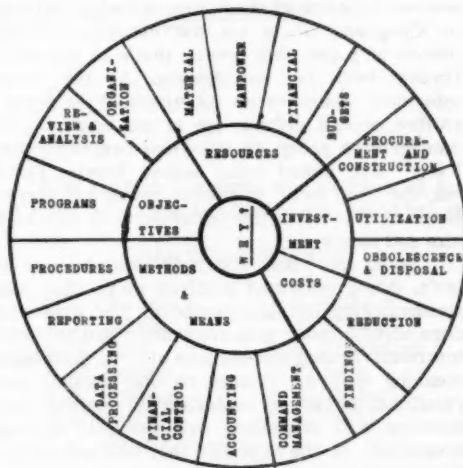
A voice speaks up somewhere around the management table. "Why must it cost so much?" "Why does it have to be done now?" "Why isn't what we're doing now good enough?" "Why can't we do it better?" This must be the comptroller speaking.

In looking back at my year as The Quartermaster Corps Comptroller my strongest single impression is that I was answering or asking continuously, "Why?". Col. Manley C. Perry, QMC, Chief of The Management Assistance Division, Office of The Quartermaster General implies in his article "Management Assistance in The Office of The Quartermaster General", The Armed Forces Comptroller, October 1956 that he considered it the proper task of his Division to stimulate the supervisors of operations to ask and seek the answer to the question, "Why?". He did his job well. My lot was like that of the general's aide whose duty it was to pull the general's coat every fifteen minutes until he gained the general's attention, then ask the question, "General, sir, what are you doing?".

There seems no longer to be any question, in either military or civilian circles, that the comptroller is a member of the management team. Perhaps the reason for the comptroller's eternally repeated, "Why", is his particular position on the team. Management policy is the result of a complex decision making process whose ingredients are the answers to questions beginning with: what, where, when, who, why, and how. In the policy councils the technical man proposes "How" after the planner discloses "What". The operator fills in the "Where" and "When" and the personnel man supplies the "Who". But who asks, "Why"? The leader of the team could ask but then his independence would be compromised. Who then remains? The Comptroller remains, of course. Sure he's unpopular. His is the unpleasant task of deflating the "lead balloon" and of pointing out that the "pet idea" won't get off the ground. As he asks the questions, he becomes identified with the embarrassing nudity that follows examination of the "quick answer". The misfortune of the comptroller is that it isn't very long until the confusion of question and answer spreads to the "old man". When this stage is reached the comptroller is expected to produce the answer to any question he asks. Thus the Comptroller Area is defined and born.

The comptroller is both the procurer and the custodian of the facts and information that answer the questions that begin with, "Why". If the comptroller "grows up" he soon recognizes that things go easier for him and that he has someone to eat lunch with if he gets the facts across to the how, when, where, what, and who fellows. The "Why" doesn't have to be asked. So finally the comptroller becomes not only the procurer and custodian but the peddler as well of facts, information, and know-how. If only the "old man" doesn't misinterpret the comptroller's silence as a colossal lack of interest in what's going on, the comptroller's life can be bearable.

As the custodian of facts and information the comptroller should be the best informed about the organization's business of any man on the team. It is unfortunate that an icon in the form of a dollar sign has been hung around his neck. Unfortunate because the military's primary purpose is to provide defense of the country, not to generate profits. Suppose we look at the area that grows out of this custodianship.



THE COMPTROLLER AREA

Going around the outer circle it will be recognized that for many of these blocks of information the comptroller has to be not only the peddler of data and information but has to be responsible for the administration of the

activities from which they arise. These blocks are those that deal with things expressed with money symbols. This is the comptroller's "cross of gold". A fundamental decision must be made. The comptroller must decide whether he will be the departmental head over matters demonstrated in numbers with dollar signs in front. If he so decides he will become so involved in administration that he cannot maintain his status of the "best informed". He will, however, have the gratification of having a voice of his own. His boss, the chief official in the management team, won't have to face the question, "Is my comptroller any good?". The only drawback is in the question, "Who now is the real comptroller?". The answer is the "old man". This is wrong. We are back at the point where the whole thing started — the necessity of freeing the "old man" of being the "best informed" so that he might guide and direct progress. It is my opinion that a man who lets himself become the administrator of the dollar sign is masquerading when he calls himself a comptroller.

If the ideal comptroller like the owl knows everything and says nothing, how can it ever be known whether he knows anything? There are three blocks in the outer ring of the diagram that will answer this question: Budgets, Programs, and Review and Analysis. These are pieces of paper that must be defended to someone — a board of directors, a budget bureau, or Congress. It is not the making up of the pieces of paper that counts, that's an administrative task, but the defense. As the "best informed" there is no question that the comptroller should defend. He is the voice of his management group as questions beginning with "why" are asked from higher levels. Don't ask the "old man" to answer but do ask him to listen at every possible opportunity. It will help him and help you.

Being the "best informed" sounds easy. It isn't. Being informed involves more than just remembering box-car numbers. The man who does nothing more than remember will never be informed. Among the reasons are the facts have meaning only as related to one another and relationship must be evaluated for significance. Relating and evaluating are decision making processes. In the hope that they will aid comptrollers in becoming the "best informed" some thoughts concerning relating and evaluating will be set down.

Long ago Lord Kelvin said that we really do not know much about something unless we can set down our knowledge in numbers. It follows then that the "best informed" can set his information down in numbers and relate these

numbers one to another in a numerical way. Relating numbers is the basis of accounting. Unfortunately the accountant seems to have only a mild interest in numbers that are not preceded by dollar signs. His usefulness is at times crippled by the highly conventionalized methods that he uses for relating. These methods are in many situations clumsy and inefficient if not ineffective. The comptroller, because relating numbers is so basic to his position and because accounting is relating, tends to be identified as a glorified accountant. A comptroller would do well to demonstrate continuously by his use of other media besides accounting reports that he isn't the mouthpiece of the accounting department. Using all the bag of tricks of the statistician, the mathematician, and the engineer is a good way to do this. Using the meaning of the number rather than the number also helps.

In the relating process it is well to remember the truth that any routine can come up with answers that are nonsensical. This applies to cost analyses and manpower surveys as well as to statistical correlations. Common sense is a priceless possession of a comptroller. Don't lose it. On the other hand, don't mistake lack of imagination for common sense. Lacking common sense fool's gold is mistaken for gold; lacking imagination neither is seen.

At the seat of government there is no limit to the information that may be procured and reduced to numbers. The better the comptroller becomes at procuring information, the more mountainous becomes the relating task. The comptroller has the choices of going blind, going crazy, turning the whole thing over to accounting, giving up, or learning to use automatic data processing. The computer and its magnetic memory has no preference for numbers with dollar signs in front and it will do exactly what it is told to do at low cost. Get acquainted with these electronic monsters. Find out how they think, what commands they understand, how fast they work, and, most of all, how dependent they are on human beings. Make them your allies or they may soon be your enemies. If they join another camp you'll never know what kind of "raw meat" they are being fed or what their growl means.

Look to your people. I'm not talking about their administration although that is important, too, but about their thought processes. Make them the people on whom the electronic monsters depend or you'll be snowed under. Be sure, however, that your people are worthy of the dependency; that they are responsive to the blind faith the monsters place in them.

A word about evaluation — information evaluation. As you evaluate bias is your mortal

enemy. We must all admit that the saw, "Figures don't lie, but liars do figure" has some truth in it. Detection of the figures that have been juggled is difficult but it can be done. The more you practice the easier it becomes. Analysis of motivations of the people that make up the figures helps immensely. On the other hand, discovering unconscious bias is almost impossible and, hence, must be compensated for rather than discovered and corrected. Unconscious bias is a termite whose presence cannot be seen and whose damage can't be repaired. The reasons for this form of bias is hidden in forgotten experiences and impressions. Since a comptroller deals primarily in numbers a very damaging bias is the preconceived "good number". We often hear the expressions, "He makes a lot" and "He doesn't get paid much" or "It costs a lot" and "It doesn't cost much". In between each of these paired expressions is a gauge point, a "good number". How many times have you had the reaction to a number that it was too big and looked about for justification for cutting it down? Research has shown that the bigger is the basis of requisitioning an item the more liable is the stock of the item to be in zero balance and the smaller the basis the more liable to be overstocked. It would pay to

look at how few reviews a "big" number in a budget or a report has to undergo before it becomes a "good number". Nobody gets "best informed" on adjusted "good" numbers.

A management booby trap lurks behind the proper idea that the comptroller is the defender of budgets and programs. It is only a short mental step from defending to evaluating. When this step is taken comptroller-defender is speaking to comptroller-evaluator. This means that the peculiar tools, methods, and language of the activities in the comptroller area become important. The form rather than the substance is emphasized. Budgets and programs are the formal proposals of one management group to another. It is all right for the comptroller to be the mouthpiece of the proposing group. The system fails, however, when the proposal does not have the benefit of group evaluation. If the group abdicates its function and makes the comptroller its "hatchet man" there is justification for this poetical image of a comptroller.

He asks us, "Why"; he's never shy
Muddled up? Brings it down.
Looks it over; blanks it out.
Sure its nyel! Should we cry?
The axe has fallen. Why?

CENTRAL PENNSYLVANIA CHAPTER

The Central Pennsylvania Chapter of the American Society of Military Comptrollers was organized officially on March 28, 1957. The Chapter was developed by representatives from comptroller and management staffs of the Naval Ordnance Plant, York, Pennsylvania, and the Naval Supply Depot and Ordnance Supply Office at Mechanicsburg, Pennsylvania.

On June the 28th, 1957 at the Outdoor Country Club of York, Pennsylvania, the Chapter held a meeting which was their Charter Night. Place cards were printed IBM cards which were printed on the 402 IBM Accounting Machine.

The Chapter is planning an Industrial Comptrollership Night in the near future and expect to have a comptroller from a commercial industry in York, Pennsylvania outline his function. They also have programmed a one-day Comptrollership Seminar.

The charter members and officers of the Central Pennsylvania Chapter are listed below:

CHARTER MEMBERS

I. R. Bentzel	C. R. Maurer
V. R. Bolton	C. W. Mowery
G. S. Fritz	N. B. Rohrbaugh
L. P. Hoover	P. F. Ruth
R. L. Johnson	R. E. Taylor
R. Klembith	A. R. Wells
S. E. Kling	

OFFICERS 1956-57

President	C. W. Mowery
Vice President	P. F. Ruth
Secretary	N. B. Rohrbaugh
Asst. Secretary	G. S. Fritz
Comptroller	V. R. Bolton

FINANCIAL MANAGEMENT By Floyd Durham, Crew Training Air Force

Command is making a transition to financial management. More and more frequently commanders and staffs are asking for financial facts - "What does it cost?" Cost information is provided for the Commander and General Staff by the DCS/Comptroller at Crew Training Air Force.

A complete financial management system embraces the entire area of recording, reporting, analyzing, interpreting, and using financial data for managerial purposes. It is apparent that unless the financial data is used, all that remains is the financial system. The management element is missing. In view of this characteristic, a financial management system includes all of the Comptroller's activities (Budget, Accounting, Finance, Statistical Services, and Management Analysis) and the use of the Comptroller's financial services and analyses by management (command and supervision).

The mass of data which is included in the Budget, Accounting, and Finance records must be condensed, analyzed, and presented to management. That is a responsibility of Management Analysis. In condensing and analyzing the available data, it was determined that four major areas are required - Resources, Expenses, Funds, and Special Studies. All financial data can be classified into one of the first three areas. Special detail analyses using data from any combination of the first three areas, are included in Special Studies.

Just as any commercial enterprise, our primary concern at Crew Training Air Force is with our resources, operating costs, and production. It is natural, therefore that our first step is to condense the General Ledger Asset Accounts into the Statement of Resources. (FP 11)

The Statement of Resources represents the left hand side of the conventional Balance Sheet except for Cash. The Annual Budget Allocations (Cash) are omitted from this statement and handled in the Funds area because of the peculiar nature of government funds (year-to-year appropriations, stock funds, and nonappropriated funds). The complete balance sheet is unnecessary since Liabilities in the Air Force are so insignificant. Except for the accruals, the Air Force is on a cash basis for all practical purposes.

Unlike private enterprise the Profit and Loss Statement is not strictly adaptable for Air Force operations. There are no external sales of products or services. The costs of Air Force operations (P&L items in private enterprise), however, are comparable and our production is measured in terms of hours flown and/or graduates. Our Operating Expense Statement (FP 21) relates costs of production to hours flown to permit coordination with the Base Level Management Statements developed by Headquarters USAF.

STATEMENT OF RESOURCES
(IN THOUSANDS OF DOLLARS)
CREW TRAINING AIR FORCE
31 DECEMBER 1966

FP 11

	30 JUN 1966		30 NOV 1966		30 DEC 1966		BACR OR (DECR) 31 DEC 1966	
	AMOUNT	\$	AMOUNT	\$	AMOUNT	\$	AMOUNT	\$
REAL ESTATE								
LAND & LAND IMPROVEMENTS	\$ 6 888.6	1.7	\$ 6 829.7	1.8	\$ 6 829.8	1.8	\$.1	—
PAVEMENTS & SURFWAYS	74 007.8	18.9	70 742.0	21.0	70 794.3	20.6	82.9	.1
BUILDINGS & STRUCTURES	93 325.9	23.9	94 610.2	25.0	94 663.1	25.4	578.9	.4
UTILITY PLANTS & DIST. SYSTEMS	35 844.3	9.2	32 750.7	8.9	32 809.9	8.9	89.2	.2
CONSTRUCTION IN PROGRESS	1 839.1	.5	2 469.9	.7	2 562.0	.7	85.9	3.4
IMPROVEMENTS TO LEASED PROP.	37.2	—	37.8	—	37.8	—	—	—
TOTAL	\$ 211 974.4	54.2	\$ 213 680.3	56.3	\$214 687.7	57.3	\$ 687.4	.5
EQUIPMENT								
AIRCRAFT	\$ —	—	\$ —	—	\$ —	—	\$ —	—
VEH.	74 000.2	19.0	74 832.0	20.4	70 000.0	20.3	1 900.0	2.0
MISCELLANEOUS	14 729.4	3.7	13 889.7	3.6	13 990.1	3.7	889.4	0.9
TOTAL	\$ 88 729.6	22.6	\$ 77 721.7	24.0	\$ 83 990.1	24.0	\$ 1 989.4	2.9
FINANCIAL								
BANK SUPPLY	\$ 94 543.8	24.2	\$ 72 331.7	19.0	\$ 70 360.1	20.0	\$ 6 000.4	0.9
IN PROCESS OF EXCHANGE	(9 331.0)	(1.4)	(7 679.1)	(2.2)	(9 230.0)	(2.6)	(1 340.5)	(17.0)
IN TRANSIT	106.2	.0	104.4	.0	254.3	.1	29.9	0.0
TOTAL	\$ 85 319.0	22.8	\$ 64 757.0	17.0	\$ 61 384.4	17.5	\$ 4 789.8	7.4
OTHER RESOURCES								
ACCOUNTS RECEIVABLE	\$ 140.8	—	\$ 170.9	—	\$ 160.6	.1	\$ 20.1	17.1
PREPAYMENTS	20.0	—	20.0	—	24.6	—	(2.0)	(7.0)
TOTAL	\$ 177.9	.0	\$ 197.1	.1	\$ 234.2	.1	\$ 22.1	12.7
TOTAL RESOURCES	\$ 381 306.9	100.0	\$ 355 957.0	100.0	\$373 646.7	100.0	\$ 7 643.7	2.1

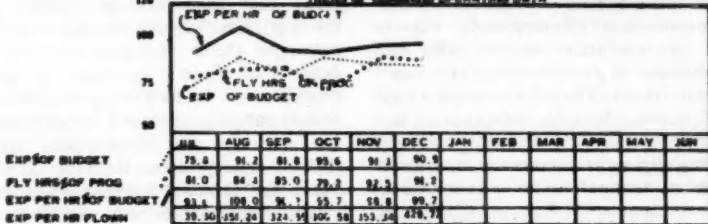
SOURCE: RCE AF-CW

**OPERATING EXPENSE STATEMENT
CREW TRAINING AIR FORCE
DECEMBER 1976**

FP 2

	TOTAL EXPENSES			FLYING HOURS			EXPENSES PER HOUR FLN		
	BUDGET	ACTUAL	PER CENT	PROG FLYING HOURS	ACTUAL FLYING HOURS	PER CENT	BUDGET EXP PER HOUR FLN	ACTUAL EXP PER HOUR FLN	PER CENT
CONSOLIDATED COMMAND	17 657.0	5 16 054.4	80.9	48 958	37 364	91.7	3 431.88	3 429.73	99.7
NO CTAF	1 093.4	305.7	21.1	1 240	807	65.9	1 096.37	386.41	35.0
LUNE	2 506.1	2 385.3	95.7	6 323	7 478	116.6	383.27	363.45	79.2
WELLS	2 374.2	1 733.7	67.3	4 385	2 822	64.4	540.92	393.23	71.5
WILLIAMS	1 956.7	1 795.8	91.8	5 055	6 047	129.5	367.09	276.29	70.9
MACDONELL	1 738.7	1 854.4	113.0	2 519	2 444	97.0	686.22	680.21	96.4
RANDOLPH	1 178.0	1 045.4	88.6	2 355	2 116	91.8	504.86	397.66	77.8
STEAD	342.3	374.4	107.0	673	803	123.3	512.63	384.26	77.2
MERRY	1 792.0	1 596.2	109.8	4 462	4 516	105.4	400.42	410.04	101.3
PERRY	2 816.4	1 674.3	81.9	6 690	4 988	87.8	336.36	316.63	93.7
TYNDALL	2 079.2	1 976.4	95.0	6 285	5 253	84.1	333.95	326.34	97.7

TREND OF COMMAND OPERATING DATA



SOURCE - RCS - C-99 - AF 417, - 58-47

Although the Operating Budget has not been prescribed for this command yet, an overall expense budget is computed for each base and in Total based upon the current year's programmed flying hours and last year's expenses per hour flown. In this way we can measure our progress this year relative to last year. Adjustments are made for known changes.

Because of the peculiar nature of government funds previously mentioned, a separate area is provided for this subject. Here we are concerned with the overall Source and Application of Funds, Status of Local Allotment Appropriated Funds, Appropriation Reimbursements, the various Stock and Industrial Funds, and Nonappropriated Funds. Because of space limitation, these charts are omitted.

For some, the question might arise as to where is the analysis? When does the analysis begin? Analysis is the separation of anything into constituent parts or elements; an examination of anything to distinguish its component parts, separately, or in relation to the whole. Therefore, the analysis begins with the Statement of Resources.

In the Statement of Resources the Commander is concerned with the tools that he has available to accomplish his mission. He is concerned with the trends in these resources. Is his position improving or deteriorating? Has his mission been increased while his resources are decreasing? Does he have a normal operational balance between the various types of resources? The investment in the various types of assets is reviewed at the end of each month

relative to the end of last month and the end of last fiscal year and relative to the Total Resources (percent of) as of each review period. Consistent with the usual command doctrines and Headquarters USAF of management by individual responsibility and exception, the changes in resources occurring during the current month are reviewed by bases. Because of differences between accounting, budgeting, and engineering procedures we have been unable to correlate our construction program with the Changes in Resources. It is contemplated that this will be done when the Operational Budget (Capital Forecast) is implemented as indicated in AFR 170-6.

One of the most important resources (although not recorded in the General Ledger Accounts at this level of command and below) is Aircraft. In this area we monitor continuously our aircraft on hand relative to the program. Two of our most readily controllable resources are Equipment and Inventories.

The equipment review at this time is limited to the relationship of Miscellaneous equipment to UAL equipment in total and by bases. Unusual changes in the relationship serve as a basis for questioning the cause of the changes. Does the increase represent an increase in small hand tools, maintenance spare parts, printing equipment, etc., or items funded by other agencies? The review of Inventories follows the pattern of many industrial firms and is based upon turnover rates relative to established objectives. Because of various reporting cycles in several operations involving inventories, all turnover

rates (weekly, monthly, quarterly) are converted to Annual Rates for uniformity. The monthly reviews are limited to total inventories. Quarterly reviews analyze the inventories by property classes. Because of changes in funding sources, it is contemplated future reviews will be extended to funding sources. The Air Force is confronted with an unusual inventory problem pertaining to the large number of aircraft engines which are returned to a central agency for repair work and periodic checks. It is natural that engines and major parts removed from planes and awaiting shipment to the repair agency reflect considerable investment in non-serviceable inventories. Consequently, that is another point of inventory review. The Air Force supply system is predicated upon a rapid turnover of these items. Therefore, when a high percentage of non-serviceable inventories develops, we know these inventories are not being processed as rapidly as is necessary to support the supply system. Aircraft on hand is reviewed relative to the program. The mission of Crew Training Air Force is "The molding of pilots and aircrew members into a closely knit crew, highly proficient in the use of the military aircraft as a combat weapon." Our program from higher headquarters, therefore, consists of three major parts - aircraft, students, and flying hours. Without any one of these, the mission could not be accomplished.

In the Expense Area we have another example of the doctrine of management by individual responsibility. Management by individual responsibility involves a dual relationship in the Air Force. The Air Force organization is predicated upon the basic principle of one commander at each level of command. The base commander, as the direct operating official, is directly responsible to the commander of the next higher echelon. The functions required for an effective Air Force organization are so many, so diverse, so technical, that each commander has his general and special staff. That staff is responsible for the "staff supervision" of certain functions, but in most instances, does not have line (command) authority. Our review, therefore, considers both of these areas of responsibilities. We are concerned with the review of individual base performances, in the Trend of Operating Data series and the areas of staff responsibilities in the Distribution of Operating Expenses series.

In reviewing the expenses by area of responsibilities and function, our first step is to consider the expenses this year relative to last year's. Since we use a doctrine of management by exception, our primary concern is with those areas which reflect increasing costs.

In the Funds Area the Source and Application of Funds Statement is used to monitor the sources of our funds and how we are using the funds. Although certain elements of the statement are reflected in the Statement of Resources (increases and decreases in inventories, equipment, real estate, and other resources), the commander is concerned with the changes between local funding (disbursements of local funds) and central funding (Transfer-in Resources and Transfer-out Liabilities). Although changes in local funding can be observed from the Status of Appropriated Funds Statement and the rate of obligations indicated therein, the Source and Application Statement presents these changes relative to the other factors involved - (changes in central funding, changes in operating expenses, etc.). Our Statement of Source and Application of Funds is not strictly the conventional type statement (Based solely upon Balance Sheet Accounts). Since the General Ledger Accounts in the Air Force are closed only once each year, our statement necessarily carries through the operating accounts. The nature of the year-to-year appropriations distorts the value of the working capital review.

The review of the Status of Locally Available Appropriated Funds considers any changes in the Annual Budget Allocation, obligations in the current month and year to date relative to a straight line progression (objective). This review is by project and base. When the bases become obligated over the normal progression line, the possibility of a shortage is indicated prior to the end of the year. Rate of obligations must decrease or additional funds must be obtained.

Anticipated Appropriation Reimbursements affect the amount of the ABA issued to Headquarters Air Training Command on 1 July, indirectly affecting the scheduling of various programs. Consequently, we are concerned with the margin of error and direction of the error in our estimates.

In the stock fund area the review is concerned with the operations and inventory situation. In analyzing the operations, expenses are related to sales and a year's data is presented to show any trends. In the inventory area, we again use the Annual Turnover Rate (relating sales or issues to average inventory) and inventory shortages or overages. The industrial funds (Laundry) of this command are service organizations with insignificant investments in inventories. The review, therefore, is limited to a comparative analysis of the various costs relative to sales.

In the Special Studies part we complete the

detail analysis of problem areas relative to work unit measurements and other related activities to determine the causes and effects of changes as far as can be determined at this level of command. Here we determine whether changes are reflecting volume variations, changes in operating efficiency, or changes in programs.

Although our system is not yet complete (all areas are not represented, some responsible individuals are not yet accustomed to using financial data, and the operating budget is not yet implemented), it represents the approach of Crew Training Air Force to reach an integrated system of financial management, contemplating certain indicated future changes.

HAMPTON ROADS CHAPTER (FORMERLY LANGLEY CHAPTER)

As of 18 September 1957 the Hampton Roads Chapter, formerly the Langley Chapter, had a membership totaling over 56.

A meeting was held on 17 September 1957 at the Officer's Club, Naval Operating Base. Prior to the meeting, the Navy members conducted other members and guests on a tour of

the aircraft carrier, Valley Forge. Guest speaker was Vice Admiral H. P. Smith, USN, Chief of Staff, Supreme Allied Command Atlantic. Admiral Smith was formerly Deputy Comptroller, Navy. A total of 90 persons were present and it was a highly successful affair. Excellent publicity for the chapter resulted from the meeting. Incidentally, the chapter voted to change the name to Hampton Roads Chapter. An amendment to the Constitution and By-Laws was sent to the National Council.

HEIDELBERG CHAPTER

The Heidelberg Chapter has had three meetings since the last publication of The Armed Forces Comptroller. These were held on the 10th of July, 14th of August and the 11th of September.

As of the 30th of June 1957 the Heidelberg Chapter had 77 active members.

During the July meeting, there being no further business, Colonel Zedler, Program Chairman, introduced ten key members of the Comptroller's Office, Turkish Department of Defense headed by Colonel Alladelin Korol, Chief, Management Branch, Ministry of Defense, Mr. Nihad Gunduz, Staff Officer of the Management Branch, Ministry of Defense, was the speaker of the group. In his talk, he presented a comprehensive description of the objectives, scope, origin and organization of the Turkish Department of Defense, Comptroller Establishment, Military Forces of Turkey. Mr. Gunduz's discussion included Comptrollership functions such as programming, budgeting, accounting, management engineering, review and analysis, performance analysis, and auditing. It was evident to all in attendance that much had been accomplished since 1955, when comptrollership and its inherent responsibilities were first introduced in this nation. The assistance rendered by the

American Armed Forces was repeatedly highlighted throughout the talk. The question and answer period which followed the speaker furnished additional evidence of the excellent knowledge of comptrollership by Mr. Gunduz. The entire proceedings were well received by all in attendance.

During the August meeting their guest speaker, Mr. Herman Volz, Vice-President of the Chase Manhattan Bank, was introduced by Lt. Col. Zedler. Mr. Volz's discussion for the evening centered around the economic and financial growth of post-war Germany, highlighted by the large amount of gold reserve accumulated through exports. The re-evaluation of the French Franc from 350 to 420 was also part of the discussion and was an interesting portion of the question and answer period following the main topic.

Mr. Harrell was the guest speaker during the Chapter's September meeting, and his primary points of discussion were the activation of the Internal Revenue Service, and some of the laws, rules and regulations affecting personnel at overseas duty stations. The question and answer period which followed, enlightened many of the members present as to who and what we, as Americans, serving in an overseas command, could, or could not, legally claim as exemptions.

WHAT PRICE COST BUDGETS?

By Alfred Christie, 3rd

Increasing interest has been shown in recent years in the development of budgets designed to reflect the true cost of running the Federal Government. Some of this interest centers around the desirability of developing and presenting estimates and costs on a commercial basis, namely, budgeting for goods and services received during a given period of time. Proponents of this school thus stress the immediate cash position which must necessarily be considered in connection with the annual job of attempting to balance the budget. The determination as to whether or not we achieve this goal is dependent on whether cash receipts have exceeded cash paid out. This type of budgeting does not, of course, tell the story represented by orders placed in one year for services and goods possibly scheduled for receipt in the subsequent year (or years). In this connection it must be remembered that the Executive Department must live within predetermined bounds each year. It does not have the flexibility of increased receipts or adjusted operating levels as the year progresses which is afforded industry. Thus contract authority to cover these orders necessary to the continued operation of the Government must be incorporated in the appropriation act if obligational authority (which includes the authority to expend funds in the Treasury) is not granted.

Probably the real disadvantage to this approach is that it places a dual limitation on officials administering programs (with an accompanying dual accounting system). They must assure that deliveries are so scheduled (with the assistance of suppliers) that cash is actually available in the right fiscal year to permit payment. If, for example, a supplier delivered prior to his scheduled date it might well create a situation where the administrator would find that prompt payment would create an over-expenditure in his appropriation.

The present system of basing cost estimates on the recording of the obligation of the Government to pay for services or goods ordered provides, in general, as true a cost of the operation as the so called accrued expenditures basis although there is a shifting of the time base. Either system must provide special treatment for the proper reflection of the effect of major procurement, research or construction programs on the total budget and particularly with respect to expenditures in future years. Neither system truly reflects true cost without integrating changes in inventory.

It is questionable whether the cost attendant

to the development and maintenance of an elaborate accounting system which takes into account all aspects of the foregoing, i.e. accrued expenditures, obligations and inventories, would be justified. This is true (1) because of the increased accounting required by an accrual system, (2) because it is doubtful that material savings over and above those currently being achieved would result from the incorporation of present inventory accounting into the basic system and (3) because, though a more accurate cost figure might result, we still have no qualitative evaluation of what is being obtained for that cost.

Whatever the final decision is to be relative to the type of budget to be developed, and the accounting system to support it, a real problem must be faced with respect to activities using the services of members of the uniformed services.

In 1958 the pay and allowances of military personnel of the four military services under the Department of Defense will approximate one fourth of the total budget for that department. Since many of these military personnel occupy billets (or positions) at shore establishments or installations an evaluation of the cost of maintaining and operating these facilities would necessarily take this pay factor into account. Currently, however, appropriations for maintenance and operation of facilities of the Defense Department do not reflect these costs. Some use is made of cost data which includes military personnel pay in the several work measurement and controlled maintenance programs now carried on. Also, statistically, the presence of military personnel is evaluated in the process of allocating civilian personnel ceilings.

In considering the desirability of integrating these costs into the appropriations providing for the pay of civilian personnel within the Defense Department, it is necessary to take into account the system of developing requirements for and administering the military personnel programs.

It must constantly be borne in mind that the end product in the military departments is the development of a fighting team. In a broad sense every officer and man is participating in a training program besides accomplishing a job during peacetime. Therefore, in exploring the problem of integrating the cost of military personnel into our shore establishment budget so as to provide for the total cost of each operation, the first question to be asked is why military personnel are assigned or located there. The reasons are many and varied and it is necessary to turn to basic plans for the answers.

One such plan deals with military manpower requirements starting first with the requirement for personnel for the primary mission of the service - men to man ships, planes, etc. Then follows the requirement for support of the forces, for those in training and those otherwise unavailable due to travel between stations, illness, etc. In each case the total manpower requirement must be broken down by specific ratings (work specialties) and grades, i.e. into a table of organization for each unit to be operated. Within the determination of the military manpower requirement, there is the problem of rotating our forces - men can't be kept at sea or overseas all of the time. In order to provide these rotational billets it is necessary sometimes to use military personnel in civilian type jobs. Other considerations concern rank and rate and corps distributions and promotion systems established by law.

It is logical that a military personnel plan be executed as an entity. It is, also, a basic precept that funds appropriated be related to a plan to be implemented. Therefore, for good and sufficient reason, we do have separate appropriations for the pay and allowances of military personnel.

For the purely military functions the problem of placing a price tag on them does not pose too much difficulty. Basically we are dealing with weapons, ships, planes, etc. and with the military personnel required to man them. These can readily be identified. In general, there is an allowance which assists in establishing the rank or grade of the individual required to perform each element of the function. Thus, the personnel plan can readily serve to provide reviewing authorities with adequate information on which to base their decision as to the size of the forces to be provided for the primary military functions.

If the proposition can be accepted that it is desirable to continue to plan for military personnel as an entity, and to appropriate for their pay and allowances on the same basis, the question arises as to how to determine the cost of maintaining and operating the shore establishment if all costs are not included in a single appropriation for that purpose. Parenthetically, it must also be remembered that the concept of placing all costs for a function in a single appropriation, and administering the appropriation under that same concept insofar as granting a single allotment to a command is concerned, has been generally accepted.

It would appear most logical to make some division, after the fact, of the military pay appropriation in order to distribute funds for personnel assigned to shore activities to the appropriations supporting the respective activities.

Before discussing the implications of such a proposal it is well to consider the purpose to be served by determining the total cost of a given shore establishment. It is desirable to know relative maintenance and operating costs as between similar types of facilities and it is well to isolate the factors which tend to produce variations such as climatic conditions, type of construction and availability of utilities. It is, also, desirable to watch variations in cost between years at a particular activity and, there, it is well to isolate reasons for variations such as temperature, prices and wages, and changes in workload. In the case of military installations the presence of military personnel will play an important part in considering the need for appropriations. Changes in the availability of either military or civilian personnel can be material and, thus, any comparison between installations performing a like function might well be distorted if only the civilians are considered. Further, there are frequently factors that affect the availability of civilian personnel such as the location of the installation. This is particularly true when the military installation must be isolated from existing communities.

It would seem fair to conclude that military personnel performing duties not directly related solely to a military function, but to logistic or administrative functions, should be considered in presenting the budget for that function.

Several avenues should be explored. The actual transfer of funds from appropriations for the military pay to maintenance appropriations is one approach.

Discussion of this proposal, however, must be built on an understanding of the basis for developing the military personnel appropriation budget and the problems of administering it. If, at the outset, it can be assumed that the budget provides only for the actual cost of the personnel strength that will be maintained then it follows that only funds for those personnel actually assigned to an installation should be transferred.

The military personnel budget is developed so as to present to reviewing authorities the total cost of the pay and allowances of all personnel who will be on active duty for all or any portion of the year. While the beginning and end strength may be determined as the same, the actual strength at any given time during the year will vary. As to the strength variation we must recognize that a replacement is not necessarily available at the time each man's enlistment expires. Men must be recruited when they are available such as on graduation from high school. Also, the pay and allowances of any group of officers or enlisted men will vary during the year. One man may have a dependent

parent or wife and another none, or one may have previous service which would provide him with a higher base salary.

There is also the problem of increasing longevity during the individual's tour of duty at a particular station. Even if a man could initially be detailed or transferred on the basis that his longevity entitles him to pay within the monetary allotment to the station, he may possibly complete another pay period while so assigned or on leave enroute to a new duty station. Subsequently, or upon arrival at the new station it would be ascertained that his new rate of pay would generate an expenditure in excess of the allocation which would have been established. A more costly example of a required increase is that of the enlisted man who acquires dependents after his transfer to a station. In this case, which the government obviously has no control over, the man becomes entitled to an allowance for quarters. There is also the situation in the military services where on promotion personnel are, by law, entitled to back pay in their new grade. Of course, there are similar situations where the change in personnel would reduce the requirement for funds at an installation.

There may be several factors influencing determinations with respect to any allowance that might be considered. Conditions at various shore activities will vary and will influence the entitlement of personnel to allowances of many types. The availability of quarters and messing facilities are excellent examples. Also, the availability of barracks would preclude a man without dependents from drawing a quarters allowance but would have no effect on the entitlement of the man with dependents.

From these simple illustrations it can be appreciated that in order to develop the budget a series of costs by pay grades must be used for each possible item of pay or allowances to which military personnel are or may become entitled. These average costs, as well as the average numbers of personnel entitled to them must be constantly revised based on a sampling of pay records and changes in strength as the year of execution of the budget develops.

Before leaving the entitlement aspect of the problem there are other elements of personnel administration to be considered. These concern the ability of those charged with detailing personnel to match the available man with the available billet. In some instances a man sent to the hospital might need to be replaced immediately and a transfer might well start a chain reaction. There are, also, many ratings that do not have counterpart civilian occupations to which the man may be assigned as in the case of a boatswain. Where there is a corresponding

job there may not be sufficient billets to permit the most effective use of all the military personnel that must be rotated. This problem becomes particularly acute with respect to many Navy ratings. There must also be considered the question of how to charge off pay and allowances for the time of military personnel that in no way contributes to the operation of an installation. Consider, for example, the requirement on certain personnel that they maintain their flying proficiency.

In reviewing performance data and estimates that include military personnel costs, recognition should be given only to those areas where the military personnel engaged in military functions are in fact used to perform non-military duties. Determinations as to what should or should not be included would necessarily be arbitrary since there are many instances where services in the maintenance and operations area are part time. The case of a student performing janitorial duties is representative of this.

The foregoing touches only on those elements of the military pay appropriation structure which require no elaborate discussion. No consideration has been given to the budgeting and accounting problems which would arise with an attempt to distribute items included in the military pay appropriations for Permanent Change of Station travel, death gratuities, initial issues of clothing, interest on deposits, mortgage insurance premiums and other miscellaneous costs. It can be seen, however, that the determination of the portion of the pay appropriation to be transferred to any maintenance appropriation would require a multitude of individual determinations for each shore installation. Also, many obstacles deriving from the personal situations of the men assigned would be encountered. In this respect, we must consider the morale of our military personnel. The ordeal of moving one's family every few years is one of the drawbacks in attracting and retaining competent personnel. The present pay system of the Navy is designed to facilitate the payment of pay and allowances to the personnel wherever and whenever it is necessary. Any system designed to provide for payment from allotments to the duty station would require major revisions to the system so as to provide also for funds for personnel on leave, hospitalized or in an extended travel status.

Without touching on the other problems that the transfer of funds would create with respect to the pay system for military personnel, it is apparent that the objective to be served would create additional problems and cost out of proportion to the gains.

Perhaps a second or more workable

approach lies in the development of a budget which reflects, statistically, the effect of military personnel in the maintenance and operation programs. By use of average costs, by rank and rate, which include certain of the allowances accruing to the military personnel, a more realistic cost picture could be determined.

The difficulty with this approach that first becomes apparent, however, is one of further complicating an already too large Federal budget document — one which does not generally reflect comparisons between installations anyway — which is the primary reason for reflecting military personnel costs. This is a real problem where formal presentations before the Appropriations Committees are involved. It might well be feasible in less formal presentations prior to submission of the estimates to Congress. The main advantage, of course, lies in avoiding the need for administering the pure accounting function which follows a system requiring appropriation transfers.

It is believed that a third course of action offers the most satisfactory solution. Currently, manpower reports are used in establishing civilian ceilings. These take into account the total personnel availability. An extension of this system to provide, within the budget framework, for a comparison between shore activities would appear to be entirely feasible. It would serve to focus attention on the utilization of all personnel by identifying specific functions that could be compared both as between stations, and, from year to year, at a specific station. The primary benefit, of course, would be in permitting a review of requirements on an exception basis. (Since the purpose of this paper will have been served if it establishes a basis for evaluating proposals to extend the accounting systems in being, no attempt will be made to set forth a system for incorporating a statistical presentation in the annual budget).

Having discussed generally the factors which must be considered in developing the cost of functions of government and a bit more specifically the problem that the use of military personnel in non-military endeavors poses, let us turn, in conclusion, to two basic questions. First, what is the purpose to be achieved by the further development of our accounting system? Secondly, what are we willing to pay for any system of accounting?

Obviously no one will admit to proposing an elaborate system of accounting and reporting as an end in itself. Who, then, is to use the end product of our accounting endeavor? Excluding the fiduciary responsibilities on many officers of the government which, itself, generates a

degree of accounting, we are first of all concerned as to the information that the various echelons of management require to carry out functions of government, established by law, most effectively and above all most economically.

In many cases the requirement for an elaborate cost system does not arise at the installation itself since controls in the nature of those indicated earlier — and of a less costly nature — provide a measure of the effectiveness of management. Where comparable missions exist these tools frequently serve reviewing echelons with a basis for evaluation. This does not mean, however, that the dollar cost does not furnish a satisfactory measure of the effectiveness of many operations.

By the time the Congress reviews the budget many adjustments have been made as to emphasis on operations and in cost. In general, the appropriations committees have neither the staff nor time to delve into relative costs at the installation level. They must rely on those who, by law, have been given the responsibility to manage. They are more interested in knowing why costs are varying and the determination of the factors involved is not necessarily dependent on an elaborate accounting system.

Since World War II we have been vitally concerned with the overall cost of government. Many studies have pointed to the number of programs the cost of which are in no way related to management efficiency — retirement benefits and payments on the national debt being but two. Our accounting system then must be considered in relationship to those programs where management has some control over the level of operations. In this area management has felt the heavy hand of inflation and congressional controls on manpower. This has already caused most managers to curtail all but the most essential elements of the work to be accomplished.

During this same period the cost of management itself — including accounting — has increased both as an absolute value and in relation to the substantive program. While recognizing the value of much of this management overhead, care must be exercised to preclude its getting out of proportion to the value received. Let us take steps to assure that each increase in the cost of operating our accounting system comes only when management is given a better tool with which to accomplish its mission, or, the cost of commensurate with the savings to be generated from the additional information to be made available.

COMMAND ASPECTS OF AN INDUSTRIAL FUNDED MILITARY INSTALLATION

By Captain V. E. Day, USCG
Commanding Officer, U.S. Coast Guard Yard
American Society of Military Comptrollers
Meeting — Baltimore Chapter

14 May 1957

When the weather turns for the worse, it is customary for Coast Guard patrol craft to put to sea, to be available on-the-job, if needed. "Semper Paratus" is our official motto, but "You have to go out" unofficially backs it up. It has been traditionally observed through many harrowing experiences.

A winter storm off the Washington coast made the Pacific anything but pacific. In anticipation, two of our 36-ft. motor lifeboats had sallied forth, and well it was, for a fishing vessel broke down almost on the edge of the breakers. The nearest boat took the fisherman in tow and headed out, but a cross sea parted the tow line and it became fouled in the lifeboat's propeller. A quick radio appeal soon brought the other lifeboat, who took over the tow of both. But the disabled lifeboat broke loose. The weather was so bad it seemed impossible to re-establish the tow, and so the first boat was left to shift for itself while the second successfully took the fisherman several miles down the coast and into safety through the inlet. All this took place in the dead of night. The disabled lifeboat drifted into the breakers and after two harrowing hours was cast high on the beach, having rolled over five times. The men aboard were trained for such an emergency. They got inside and secured the hatches behind them. They were bruised a bit, as you can imagine, for outguessing the boat's motion was impossible. But the fact is, they came through the experience alive, and so did the boat. The storm waves had cast it so far up the beach, we had to hire a contractor to bring equipment down and dredge a channel and relaunch the boat into it. I inspected that boat after it returned to its base under its own power, and I could find no evidence of any significant damage to its structure. It was only messed up by things inside which proved a bit too portable.

The reason I have chosen this story, among hundreds available, is that this wonderful boat, which proved it could take the worst possible punishment, was built right here at our Curtis Bay Yard. When I was transferred back to the Yard last summer, I told the boys in the Boat Shop about it, and were they pleased! It made me feel good, too, and proud of their workmanship.

Now, of course, we all know that more than

engineering design and boat building skills went into that lifeboat, for it came out of a full-fledged shipyard. And it is about this shipyard that I am writing. In fact, I will narrow it down to the command aspects.

I am not going to go very deeply into a discussion of the YARD's business methods, because each of you probably knows a great deal more than I do about such things. You could easily cross me up when you start the duel with your questions. If the fighting gets too heavy, I may have to cry out: "Sand, sand, the deck is covered with blood!" and fall back on my cohorts. I brought some along, too, just in case I have to repel borders. More than likely, though, the only sand in evidence will be that you'll dig from under your heavy eyelids at the end of my article.

That we may have a common understanding of the financial climate in which the YARD operates, I'll give you a quickie "Cook's tour". The present industrial accounting system stems from authority of Act of Congress, Public Law #207, 81st Congress, dated 4 August (that's our anniversary date) 1949. The Secretary of Treasury's regulations for the administration of this law became effective 1 July 1950. The National Security Amendments Act passed a few days later covered the same subject for the other armed forces. I mention this only to show the parallel thinking and the fact that our authority is an entirely separate act of Congress, which may account for some differences in details of operation.

A special revolving fund, detached from other Coast Guard funds, was set up. An inventory of fixed assets, and supplies and materials on hand, and what amounted to an evaluation of the work load in sight became the parameters of this fund. There was no additional cash outlay, and in this sense the YARD fund differs slightly from the Navy Industrial Fund. The lack of such a working fund to cushion the variations in our work load demands that operations within the YARD be followed very closely to avoid financial reverses. For instance, in the matter of maintaining our stock of ready-for-issue aids to navigation buoys, we face the situation where because of, say a hurricane, we may have an increased demand for certain types

in excess of our stocks, yet we are precluded from manufacturing replacements at once because our immediately available funds are tied up in stocks not being called for. Now, if our revolving fund were larger, or even if we were under the old system of appropriation purchase accounting, we could proceed with the new demand with facility. However, since this would tie up more funds upon which you and I are helping to pay interest, we probably have the best system, economy-wise. We are forced to keep cash assets, as well as stock, as low as operations will permit. The YARD Fund is not a fixed amount, but at current work levels varies between 10 and 16 million dollars.

Orders placed for work at the YARD are covered by an advance of funds according to an estimate. Adjustments are made on computed costs by securing additional transfers or making refunds. Obviously, neither profit or loss is permitted, and our surplus, as I mentioned before, is kept at minimal level consistent with offsetting immediately foreseeable losses, such as fiscal year-end diminution of work load with consequent heavy leave taking.

Generally accepted principles of commercial accounting are employed, except that the law precludes inclusion of capital replacement of structures, and there is no tax or insurance problem. A reasonable allowance for depreciation and obsolescence of equipment and tools is included in the indirect charges, and so is my salary, and the house in which I live, for I live in quarters on the reservation.

The YARD's entire accounting system is so designed as to give segregated costs by specific jobs. These become valuable tools for management. They are yardsticks to be used over and over as similar jobs recur, and they even come in handy to whack a juvenile delinquent, the boys who claim out of line costs when they can't demonstrate any out of line elements, except, shall we say, and I hesitate to say it, because of poor planning or performance.

A few years ago, they used to put blinders on horses' bridles, the theory being that this made them more manageable. They couldn't see a wild blowing newspaper on a March day or a horseless carriage as it put-putted up from behind. Among the several things wrong with this system was, the horse couldn't anticipate the whip. You can see how unfair this was, for if he could see you reaching for it, he had the immediate choice of speeding up or receiving the welt first and then speeding up.

I was Planning Officer at the YARD some years back, and I speak from experience when I say it was difficult to get an honest day's work, day after day, job after job, from some of the

boys we then had on the waterfront. When confronted by the sometimes less-than-valid accounting figures of those days, the supervisors would just throw up their hands, and we would lose by default. Today, with the more accurate cost figures on what has been done under average conditions, our supervisors will more easily accept pressures for cost reductions, and as I mentioned with the horse, about all you have to do is REACH for the whip, provided he knows the whip is there, and, sans blinders, he can see you reach for it. We have removed the accounting blinders as best we can, and we all see more of the whole picture.

Another basic tool for management is the industrial budget. Our industrial fund operation might be said to begin anew each year in the making of the annual budget. The Comptroller places a price on our operating plans. This tests their validity by reference to statistics, and gives us a mark, or better said, a whole set of targets to shoot at. I'm not going to describe the making of the budget further than to mention that it stems from these principal sources of information: The approved YARD organization, involving all its personnel with their graded salaries; the physical plant, including tools and equipment, their upkeep, replacement, and obsolescence; the work load forecast, the only source of income; and the material requirements based on the prospective work load. Each cost center states its requirements and, in turn, is held approximately to the final budgeted amounts. Although the making of the budget is more or less a continuous process, we terminate the crystal-gazing period, and after we have faced east and bowed three times, praying that the blessing of Truth has been upon us, the Comptroller wraps the package up. At this time, there is general good feeling in the management centers. It is as if we have ingested a happiness pill, and its effects last a little while, at least until the second month of the new fiscal year upsets it, and we suddenly recall there was conflict between the tea leaves and the crystal ball. But, like the boats we build at the YARD, the budget has actually been well designed by skilled technicians, interested in their jobs, and put soundly together by master craftsmen. Since its prototypes have already had seven years at sea, we need not fear the tempest. Our budget can be rolled over five times, and with but a few minor repairs, can be made seaworthy again.

I think the command aspects can best be discussed in terms of what the command expects from the comptroller and his associates. And so the rest of my article will be devoted to you boys in your favorite roles. I understand that

before he became a navigator, Columbus was a controller and this experience particularly fitted him for his great role. He didn't know where he was going, didn't know where he was when he got there, didn't know where he'd been when he got back, and he did it all on borrowed money.

While I was preparing my material for this article, I naturally looked about to see what some others may have had to say on the subject. After I got over the confusion of the spelling of controller, or comptroller as we military men have been regimented to believe is correct, I came across a six-part statement of the concept of controllership, approved by the National Board of Directors of the Controller's Institute on 25 September 1949. I do not doubt but that all of you have read it, and some of you may know it by heart. It seemed so good to me, that I decided to base the meat of my article on these six concepts, and to follow them in order, as I discuss what the military comptroller should do for me as a top manager of an industrial funded military establishment. Now I recognize this statement of concepts as a sort of ideal thing, like the Ten Commandments or the Sermon on the Mount, and that there may be little resemblance between an individual controller and the very ethical controller of the document. Nevertheless, it's a mark to shoot at, and I have not found any better target. My sights may not be adjusted rightly, and so if I get too far out of line in talking about you fellows, you may find the safest place to stand is behind the target.

Several years ago I was engineer officer on one of our destroyers. Our job was to chase rum runners and keep the price of whiskey so high that the game was profitable for those who were set up in business ashore and at sea. On this particular afternoon, the skipper and the exec. were planning their tactics for the night's operation. As the next senior and as a staff officer, I was sitting in. The skipper finally turned to me and said, "Day, I want to make thirty knots and I want all four boilers." With my usual eye to economy, for this was during the depression, and things were tight money-wise — we even tore up our own undershirts for wiping rags — I replied, "Yes, sir, but we can give you that speed easily with three boilers, and, in fact, if we leave an hour earlier, we can be there at the same time on two boilers at twenty-eight and a half." He scowled, cleared his throat, and then cut loose. This is not the place to quote his exact language, but the polite version ran something like this, "Young man, when I want your advice on how to run my ship, I will ask for it, and until I do, you keep quiet! Now, get out of here! I don't like your eavesdropping anyway." He belonged to the old "line

officer" school. From the first, he had been taught and never even considered there was any other attitude for a person in his position except: "Let there be light, and there was light."

A lot of businesses and, as we all know, some military establishments have been run that way in times past. One thing I will say for the system, it got things done. How much it cost was another matter. In fact, no one knew, and it didn't pay to be too inquisitive, either. But time marches on. Enter the comptroller, and the Institute's concept number one: "To establish, coordinate and maintain, through authorized management, an integrated plan for the control of operations." In this concept, the staff officer is accorded a place at the planning table and is less likely to be run out of the wardroom upon the offer of an economy. However, it makes clear that the controller is still a staff man, and he must be careful not to usurp the line function of the manager. I think, of all the comments I might make on how to get along, none could exceed in importance this fact of life: The necessity to recognize who is boss. To him who has the final responsibility must go the final authority. His decision is over-riding, and comptrollers, as well as engineer officers, must early learn this lesson and remember it late. The boss still remains the boss when the chips are down.

That reminds me of another incident in my brash young life. This time I was navigator, and as was customary, I brought the Navigator's Notebook to the skipper every morning, or left it on his desk if he wasn't up. On this occasion, I had made an entry "experienced a set of three knots". I was in the middle of my breakfast when the messenger burst in. "The Captain wants to see you right away!" As I stood shaking by his desk, he said, "Young man, your entry here is not correct. I have changed it to read, 'knots per hour'." "But sir, that would make it acceleration, because a knot is already a unit of speed." In utter disgust, he said, "Go to my big dictionary and look it up." I did. "Here it is, sir....." "Just a minute, I'll tell you what it says." And he then proceeded to outline that it was some fraction of the distance from the pole to the equator, etc. "I'm sorry, sir, but that is not what it says here. Here it is under: 'Naut. A unit of speed, a nautical mile per hour'." "What, you mean to tell me it says that? Why, what did he know about going to sea? He probably never saw the ocean. From now on you will use knots per hour." "Yes, sir!" and I got out of the cabin as quickly as I could, I didn't know whether to laugh or cry. I felt like both. I was as confused as if I'd come out of a comptroller's conference. But, one thing I was on my way to learning: Right or wrong, the boss is always right. Maturity and a change of position have

taught me another thing: It pays not to cut your advisors off too short; they might be right, yes, even if they happen to be young men from the comptroller's division. They might just be able to help us old "fuddy-duddies" away from our trained capacity to overlook what we do not wish to see. Someone stated it: "Don't confuse me with the facts — my mind's made up!"

While you have been riding along a stretch of new highway construction do you recall seeing a sort of left-over cone-shaped hill right in the middle of an excavation? Did you ever wonder what its purpose? When a surveyor lays out a grade, he refers to a primary bench mark, and then establishes secondary and tertiary marks for handy reference. That little hill had a surveyor's stake on it. It is part of his system of stakes which have grade marks and distances on them to guide the construction crews who do the heavy work. Silly as it may look, that stake must remain there, a reference, as long as it is needed. Our budgets are like those stakes on their little hills. Early in the game, and in concert with the engineers and top management, the comptroller views the whole project and by his budget sets the stakes. How we are doing is as important to managers in a shipyard as to the engineers on the highway. How we are doing has a substantial effect on the final outcome of every job. That is why concept number two states: "To measure performance against approved operating plans and standards, and to report and interpret the results..." If his frequent excursions back to his reference stakes indicate agreement, things are either o.k. or maybe he is just a good accountant. But if they fail to check out, then he must start being a comptroller, and fulfill his mission of interpretation. If I am to manage, then I must have the facts, and like the engineer's, I expect the comptroller's to be as reliable.

There was a time, and not very long ago, either, when the only financial appraisal of our projects consisted in adding up all the bills and subtracting from the funds originally apportioned. As frequently as not, there was a negative balance and then the scramble to augment the funds and get the account out of the red. That red was somehow, by accusation or inference, reflected in the faces of those who were trying to manage the work and the funds, but never could quite seem to get on top. You remember, I am speaking from experience. We were amateur skiers trying to make an ascent and between stepping on the opposite ski and sliding backwards half our forward progress, we didn't do so well. Enter the comptroller. With his new business machines and a new concept of service, he installed a ski-lift up the mountain. Now we can hitch a ride instead of doing it the

hard way, and the trip down, our real objective is pure sport. Oh, I'm not forgetting that there will still be a spill now and then, and we'll turn up with a red place or two. But it will probably be elsewhere than on our faces. Some heavy clothing may have to be removed to get at it. The comptroller — the doctor — discusses: How did it happen? Where does it hurt? takes pulse and temperature, watches our reaction as he constructs the little chart at the foot of the bed. Maybe we get a pill, or a shot in the you-know-where to help us chase out the bugs. You know, had we have taken more of his advice, we might not be seeing so much of him now.

There are several kinds of doctors besides horse, and many of them are specialists. If the comptroller hospital is properly staffed, there will be specialists in accounting budgets, business machines, methods, etc. And just as the modern hospital turns out staff work by all who have seen the patient, so the comptrollers must make up their financial report, and like the medical report, it must be in terms we can understand. And we don't expect an over-simplification like: "The patient died." We hope it will say, "The project is solvent", but if not, then we need his interpretation of what we did didn't do. As a modern patient-manager (you notice I didn't say impatient), I think I have a right to expect this sort of treatment.

I have a neighbor, the usual kind, a swell fellow with an ideal family of three kids and several pets, including an alley cat of quite uncertain ancestry. Recently, the cat was shot in the thigh, but somehow managed to drag itself home and into a basement window well, where after some searching, it was found by the little girl. After a trip to the vet's, the cat made a routine recovery, but the family is still recovering from the \$73.60 bill from the vet. The cat will forget its wound long before Mr. Squire forgets that bill. That's the trouble with unbudgeted items. You never know, cost-wise, how they will turn out, and afterwards, you may think of several other ways you would rather have spent the money. If the alley cat is not worth its probable cost, then perhaps another disposition is in order.

Concept number three calls for a measure and report on the validity of objectives, and consultation with other segments of management for policy or action in pursuit thereof. The comptroller traces the cat's ancestry to help evaluate the situation. The same is true when considering additions to the family, the continuing flow of new ideas, so earnestly sought by management. It is not necessarily indicative of idle dreaming that the round filing cabinet beside the manager's desk gets some of them. It merely

means that evaluations have been made; cost disciplines are being enforced; stability and guidance are replacing do-it-as-it-turns-up thinking. Thus, we are not surprised by the bill.

With the arrival of every ship in the YARD, it is customary for the ship's commanding officer to call on the commanding officer of the YARD. Later, the call is returned aboard ship. This is all part of my job as manager, and it involves customer relations. We talk about a number of things, but one subject always seems to crop up — that of finances. Although we have him as a captive customer, and the money he is spending does not come out of his pocket, you may be sure he is interested in getting the most for it. He has to live with the product this money buys, and I might add, as often has to live without what he would like to buy if he had the money. He and the Planning Officer have to make the decisions. But it frequently happens that some jobs are finished sooner or at less expense than anticipated, thus releasing funds for other cherished work. It is important to him that knowledge of the state of his account be current. Here the comptroller is worth his weight in gold for customer relations. Any slow down knocks him off the gold standard, but fast. This is hardly the "action in pursuit thereof" envisioned by our ideal.

The fourth concept has to do with taxes and reporting to other government agencies. It's written as a quickie, and I'll dispose of it the same way. We are already acquainted with government methods, and by merely perusing a dozen or so two to three-inch thick manuals and entering a hundred or more pages of changes every year, you can keep right up to date. Remember, the boss expects it of you. But don't worry, if you make a "boo-boo", the Comptroller General's staff will back you up, even if it takes seven years.

Concept number five has to do with the effect of external influences, and it has less application in military controllership, because we have what might be termed a captive trade, and we ourselves are captive to high governmental pressures. I am going to turn it about and apply the same reasoning to internal influences. Unlike business, as defined in the usual sense, profit is not the motivating force of the government YARD. Yet to say that we are not interested in all the motives which normally produce profit would be a far cry from the facts. As a manager, I am intensely interested in securing the maximum output of the highest quality work at the minimum cost. Only a dreamer would expect this attitude to be reflected from supervisor to supervisor on down to the production workman. Somewhere along the line, a mirror is liable to be dirty, or even more likely to be a little out of kilter;

hence, the idealistic beam gets lost enroute. Yet if we are to achieve economy in our operations, somehow we must reach the man with the welding hood. It is difficult to speed production; we are forbidden to pay incentive wages. Our men work strictly on a time basis; their output is not a factor in their pay. High quality can be obtained, but seldom speed. The workman is little interested in costs. The country's 72 billion dollar budget seems like a mighty big reservoir compared to his hourly wage. It's like trying to get your family to shut off the tap to stop the drip by saying, water costs money. They know it's only a few cents a thousand gallons. Nor do you fare much better by crying "water shortage" when they can look out the window and see it raining. If you get tough, then it's always, "Why pick on me? There are others who waste more than I do."

As keepers of the keys, you comptrollers have a role in this difficult task of securing cooperation at the worker's level. With men, and this applies to you and me, all of us, every motion is preceded by emotion. The task before us is to stir up the right kind of emotion. "Nah, I don't wanna!" is the one reaction you are sure to get on the waterfront if you say, "Step lively." But if the production curve fresh posted from the comptroller's shop points the way, the leading-man's cheery, "Let's get the job rolling, boys!" has a better chance of success. The logic of your figures is the picture that is worth a thousand words. I honestly believe most men would do better if they knew better. How can they know, if you who are in the know, don't tell them?

I'll bet those of you who grew up on the farm before the days of electric water pumps had to carry water like I did, with a leaky bucket. We seldom had money for a new one. I don't know why we didn't fix the leaks. I guess it was because so many other things seemed more important. If you dilly-dallied along the way, your water mostly leaked out. If you hurried, a stubbed toe — there were no sidewalks then — would cause you to spill the whole thing. You comptrollers who are not absorbed in carrying the water ought to be able to view the process objectively and help top management to come up with possible solutions: Fix the bucket, pave the walk, or with an eye to the future, install piping and a pump to eliminate the hand carrying entirely. And you should know the costs.

The comptroller should be as quick as the production superintendent or the personnel relations man to spot trouble brewing. The story will come to him by a different route, most probably through his figures. To learn, interpret, and report, and suggest a solution is what I expect from the comptroller.

One time I was sent out with a pulling boat and eight men to take water temperatures around an iceberg. At this location, the water was relatively warm, about 60 degrees, and the temperature only dropped a few degrees when right alongside the windward side of the berg. In such warm water, icebergs are very unpredictable, always restless as they melt away. We had worked almost all the way around this big fellow when I said, "This doesn't look good to me. Let's get out of here; give way together!" We stood off about 100 yards or so, and then I gave the boys, "Oars", while I got out my camera to take a picture. I wanted the berg to fill the whole frame, instead of being the usual speck in the middle of a lot of horizon, and this was just the right distance off. But I never got my picture. While I was steadying myself against the boat's motion and looking into the finder, there was a tremendous c-r-a-c-k, followed by a roar as a piece of ice the size of a five-story apartment house came crashing down as the whole berg rolled over towards us. The boys were facing aft and could see the whole thing. They gave way without command. The unexpected lurch almost toppled me and camera over the stern. I grabbed the steering oar and hung on for dear life. Then, glancing back, I saw what the crew had already seen, a huge wall of water overtaking us. Here was real danger and I squared away the boat so as to take the wave perpendicularly. It picked up our stern and rushed us along like a surfboard for perhaps two hundred feet, and then just as suddenly, dropped us. We found ourselves completely surrounded by brash — small pieces of ice from the size of baseballs to chunks twenty feet across. It was now impossible to row. We had to stand the bow oarsmen up, to use their oars as pikes to fend off, and we spent the next fifteen minutes extricating ourselves. You've seen that famous picture of George Washington crossing the Delaware. Well, that's just what we looked like. We may not have been as cold, but we were just as scared. We had had a few anxious moments, but I didn't start to sweat until we discussed that it was just a chance decision of a few moments before that had saved our lives. We rowed the mile or so back to the ship and ice patrol went monotonously on. I had always wondered why the skipper always kept the ship so far away, especially when I wanted so much to get close-up pictures. Now I knew. Experience had been a good teacher. Let the polar bears and gulls have the close-ups from now on!

I learned more than merely to stay away from icebergs. I learned respect for something so much bigger than myself. I learned that following precedents, rules written in blood by that dear teacher, experience, is a pretty good idea.

Concept six provides for the protection of the assets of the business. Your first requirement is to understand what those assets are. Take a row around, and size up what you can see. Then back off a little, to better your perspective. Evaluate the submerged seven-eighths. It's there all right! Thus, you will acquire respect for that of which you are but a small part. I am not talking only about the physical, but about your entire heritage, the "blood, sweat and tears" of your predecessors. Respect and protect the traditional policies of your management, the precedents and the good will which have built your establishment into today's going concern. Responsible teamwork in the public interest is essential. You comptrollers have a vested interest and a clear duty to perform in upholding the moral principles required of Government in business.

Now, I didn't learn all this in that exciting moment of eternity when I saw that wave bearing down on top of us. Part of it is maturity. Be conservative in your judgments, and you won't go too far wrong. But a word of caution, too. Don't be an old man before your time, lest you let conservatism stand in the way of progress, and it will. "Without vision, the people perish." Part of that vision is dreaming and scheming, even doing a little exploring in dangerous waters. Take your temperatures as close to your ice mountain as you dare, but never lose respect, lest you be overwhelmed.

If you are able to live up to the six concepts your own people have written, you will be pretty close to paragons of controller virtue, and you will be doing what the top manager expects, be he military or otherwise. You will probably never be out of a job so long as you can hobble to work.

I hope I haven't taken too much time. How is the sandman doing? I have one more story to wind it up. I have a friend who was so busy landing an Alaskan salmon he did not take time to watch out for a big brown bear behind him, and who, immediately the fish was landed, took possession of it, while my friend beat a hasty retreat downstream. Preoccupation with accounting, or payrolls, or the complicated modern machines thereof, means withdrawal from overall management viewpoints. I admit it's hard to be looking everywhere at once, but that is where true comptroller staff work comes in, to be lookouts for the interlopers — the profit snatchers — who gobble up the catch, not to mention, about scaring the pants off the manager in the bargain. For any period, in retrospect, we need more than a fish story, no matter how interesting it may be. We need fish! While the production department is catching them, and the planning department is luring others into range, and the supply depart-

ment is bringing up more fishing gear, the comptroller department must be watching and warning. The boss comptroller must be the over-size

and complicated lens which puts the combined work of his department on a Cinemascope-sized screen before his management audience.

TWENTY-FOURTH MEETING OF THE NATIONAL COUNCIL

Minor changes to the Constitution, acceptance of resignations of National Council members and National Officers, and the appointment of a National Executive Director and National Editor were made.

The cover design of the National Journal for March 1957 was approved as a permanent design.

The first annual convention of the Society was discussed and it was resolved that:

- a. The official delegates to the Convention will include:

- (1) All members of the National Council.
- (2) Delegates officially selected by each Local Chapter.

on the basis of membership strength at the close of business 20 November 1957, as follows:

Number of Delegates	Membership of Local Chapter
1	6 thru 20
2	21 thru 40
3	41 thru 60
4	61 thru 80
5	81 thru 100

and additional delegates on the same basis.

- b. The entire membership of the Society will be invited to attend the Convention.
- c. The National Council or National Officers will not be permitted to assume any obligations for the travel expenses of delegates or members attending the Convention.
- d. The National President is empowered to invite representatives of other national professional associations to attend the Convention as guests.

The Washington Chapter has accepted the responsibility for programming and conducting the first National Convention in Washington, D. C.

SEATTLE CHAPTER

The Seattle Chapter of the American Society of Military Comptrollers was organized in February of this year when a small group from the Seattle Army Terminal, Alaskan Communication System, Seattle District Engineer's Office, and the Military Sea Transportation Service, met at the Officer's Club, Pier 91, Naval Supply Depot.

John M. "Jack" Young, Regional Director, 11th U. S. Civil Service Commission, presented the Charter to President of the Chapter, Carroll L. Haralson, Deputy Comptroller, Seattle Army Terminal, at the Chapter's regular meeting Wednesday, June 26, 1957.

Other officers are Vice President, Henry E. Thomson, Management Officer, Alaskan Com-

munication System; Comptroller, Howard J. Garden, Chief Auditor, Seattle Army Terminal, and Secretary, James J. Palumbo, Comptroller Seattle District Engineer Office.

Mr. Young praised the group for devoting their own time to the exchanging of ideas with comptroller personnel of other military organizations and thereby becoming better equipped to perform their respective duties. The Comptroller of a military installation is normally responsible for Budgeting, Accounting, Management Engineering, Disbursing, Statistics and Internal Auditing functions. These functions are part of Public Law 216 which are based upon recommendations of the Hoover Commission for improved management within the Federal Government.

COMPTROLLER AT A NAVAL INDUSTRIAL ORDNANCE PLANT

By Charles W. Mowery, Comptroller
Naval Ordnance Plant, York, Pennsylvania

The comptroller function in the Naval Ordnance establishment has evolved from a basic accounting and budgetary system to one which now contains an integrated program of staff services aimed at providing the command with data necessary for financial control. This includes a very close coordination of financial planning, work load projections, and performance appraisals. In order to achieve results from the comptrollership program, the departmental function requires the planning and direction of accounting, budgeting, financial analysis and reporting, and data processing services.

The major operating mission of the Naval Ordnance Plant at York is the design, overhaul and manufacture of various types of ordnance equipment. The plant has been utilizing the comptrollership staff service since August 1951. The navy industrial fund accounting system was installed simultaneously with the inception of comptrollership. This system makes use of a custom-made commercial type accounting and budgeting procedure and allows for more emphasis on the local cost areas which need control. The use of the industrial fund is, of course, an aid to developing more practical application of the comptrollership concept. Significant phases of financial management and the development of improved controls may be described as follows:

The plant is a job shop and as such employs a unique job order numbering system for pricing the end products and controlling production costs. The system uses a numbering format which contains 10 digits with each digit providing meaningful information for local management. Through the use of electric accounting machines, costs and production control data may be reviewed pertaining to types of production, program designations, major assemblies, component parts, etc.

The account number structure is similar to that used by a commercial manufacturing plant. For instance, when speaking of cost account, the categories include direct costs, administrative overhead, and factory expense. Each one of these is related to some specific cost center or cost segregation point. By way of illustration, in the production department costs and operations are identified by the machine shop cost center, weld shop, and assembly shop. The flexibility of the account structure must not be overlooked, for as conditions change and improvements are realized, the accounts are expanded and become more refined: Recently it was necessary to add

five new cost centers for improving cost controls at the operational level, and establish new functional expense accounts to collect and measure the cost of "allowed time away from the job", "standby time", etc.

In order to evaluate performance, an annual operating plan or budget must be devised. Budget preparation follows the decentralized principle. That is, it is believed that more interest is stimulated if the responsibility for the plan and "control" of costs is placed on the heads of departments and cost center managers. The budget, after its initial preparation, is revised quarterly using the same approach as described above. The comptroller's objective during the budget cycle is to instill a philosophy of good business practice into the "participants." This is accomplished through person to person discussions, budget conferences, training programs, and financial reviews. The budget program must be representative of a well organized and administered plan if it is to provide management with a systematic method for planning and exercising financial control. Before the final compilation of any budget, the comptroller presents an analysis of the estimated operating expenses, the income through scheduled deliveries, and the predetermined overhead rates to be applied to the direct labor budgeted in each cost center. This analysis is discussed with the command and the command's approval of the overhead and income budgets, manpower distribution, and the overhead rates, constitutes authority for the comptroller to complete the overall production budget and apply the overhead rates to the actual direct labor beginning the ensuing period.

Closely correlated to a successful budget program is the use of modern management accounting techniques and periodic financial analyses. A timely financial reporting program is a primary essential. Here again, through an improved electric accounting machine system, the accountants are in a position to produce a financial statement as early as 10 days after the close of the accounting period. The financial statement includes a statement of financial condition, operating statement, cost of production, and innumerable cost analyses; but more important is the narrative review and the graphic presentations devised to capture the interest of the cost center manager or department head. A recent method for bringing more emphasis to the variances as reflected on monthly statements, is a person to person contact made by the comptroller

staff with operating and service managers. This is an informal review during which time the causes for budget deviations are determined and positive action for improvement is accelerated. Graphis presentations play an important role in stimulating interest and maintaining cost consciousness throughout the plant. Special analyses include fund availability by local control groups, trends of applied and actual overhead, direct manpower allocations by major program, work in process inventories with amounts billed by program, etc. These and many more are accompanied by a commentary which explains "what has happened", and "what might be expected if the trend continues." The term "financial analysis" is a broad term and is also inclusive of an internal control function and a review of financial procedures and systems.

The latter was undertaken on a rather large scale several months ago in order to improve the machine accounting function and amplify its basic responsibility into one which has been termed "an integrated financial and production control system." Here again the trend and stress is to coordinate the financial data with the production statistics, relating such items as the physical completion of work orders with the amount of funds expended. While the expansion of machine accounting functions was under study, a concentrated effort was made to reduce the number of financial EAM reports by combining and eliminating. The reduction of nine reports was the final result with more timely, useful, and consolidated information, and the savings of manhours in preparation and analysis. The primary step in establishing the "integrated financial and production control" system was the installation of a daily reporting procedure for labor. The source document used was an IBM card which became the employee's time distribution card, his attendance record, and leave application. It also contains information on work measurement, standard hours, pieces completed, etc. Many products and by-products in the way of management reports originate from these daily records. The EAM system was also modified to include the preparation of bills of material, job

records, job orders, inspection-move cards, schedule cards, and shortage reports. These documents had previously been prepared through manual methods. In the future complete shop scheduling will be accomplished through the use of the EAM equipment. It can readily be seen that many clerical operations have been eliminated through the use of the revised procedures. Some of the periodic production reports presently prepared for improved management control include:

- Daily Work Movement Report
- Monthly Work Movement Summary
- Daily Production Report (Job Order)
- Daily Production Report (Work Area)
- Weekly Production Report (Job Order)
- Weekly Production Report (Work Area)
- Weekly Performance Report
- Monthly Performance Report
- Weekly Production Remarks Code Report
- Monthly Production Expenditure Report (Month)
- Monthly Production Expenditure Report (To Date)
- Monthly Material Shortage Report

The comptroller has also become interested in measuring the efficiency of his own personnel. Through a study performed by his "financial analysts" he has determined the ratio of total available time to the total non-productive time of comptroller personnel. "Ratio delay" factors were computed for each branch function. The results of this type of study were two-fold: Departmental supervision was given a device for helping to obtain better utilization of employee services; and secondly, the study was influential as a "pace setting" idea for other plant managers to try. Thus, we have seen the comptroller function grow from the original concept of financial statement preparation, to a function which offers a coordinated singular staff service for measuring financial and related results with analyses which describe "what happened", "which way we are going", and "how to get back on the course."

Membership may be held in Local Chapters or in the National Group of Members-at-Large.

GOVERNING BODIES

The American Society of Military Comptrollers is governed by a National Council with National Officers, including a President, Vice Presidents (one from each of the three Military Departments, the Marine Corps, and the Coast Guard), a Secretary, a General Counsel, a Comptroller, and an Executive Director. The Constitution provides that all National Officers, except the Executive Director, shall serve without compensation.

The Constitution provides, also, for an Annual Convention consisting of members of the National Council and representatives of the Local Chapters, with broad powers, including the election of the Members of the National Council and National Officers.

Various Committees are appointed by the National Council.

LOCAL CHAPTERS

The National Council may grant Charters for Local Chapters under the following conditions:

1. There must be at least six petitioners, each of whom is an Active or Life Member, or is eligible for such membership.
2. Such petitioners jointly submit to the National Council a copy of the proposed Chapter Constitution and By-Laws, together with a statement of the geographical area to be served by the Chapter.
3. The National Council approves the petition, and the National Secretary provides for the issuance of the Charter.

ACTIVITIES OF ASMC

The activities of the American Society of Military Comptrollers are directed to the advancement of Military Comptrollership—a member of the management team concerned with maintaining and improving the efficiency and economy of the Armed Forces of the United States.

Activities of ASMC are conducted both at the National and Local Chapter levels—including, for example:

Annual Conventions held for business and social purposes—and for the professional interchange, discussion, and development of Comptrollership Principles and Practices.

Special Conferences and Seminars directed to priority areas in the Comptrollership field.

National Journal of ASMC devoted to the affairs of the organization and to technical matters of direct concern to those engaged in Comptrollership activities throughout the Armed Forces.

Local Chapter Meetings held for professional discussion—including papers and addresses by speakers of outstanding qualifications in Comptrollership.

Chapter Publications giving local news and selected technical materials on Comptrollership.

Extensive correspondence among ASMC members on subjects of primary interest to Military Comptrollers and their Staffs.

Liaison with the counterparts of ASMC in private industry—for example, the Controllers' Congress of N.R.D.G.A., and the Controllers Institute of America.

. . .

For further information call on your nearest Local Chapter, or write to—

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